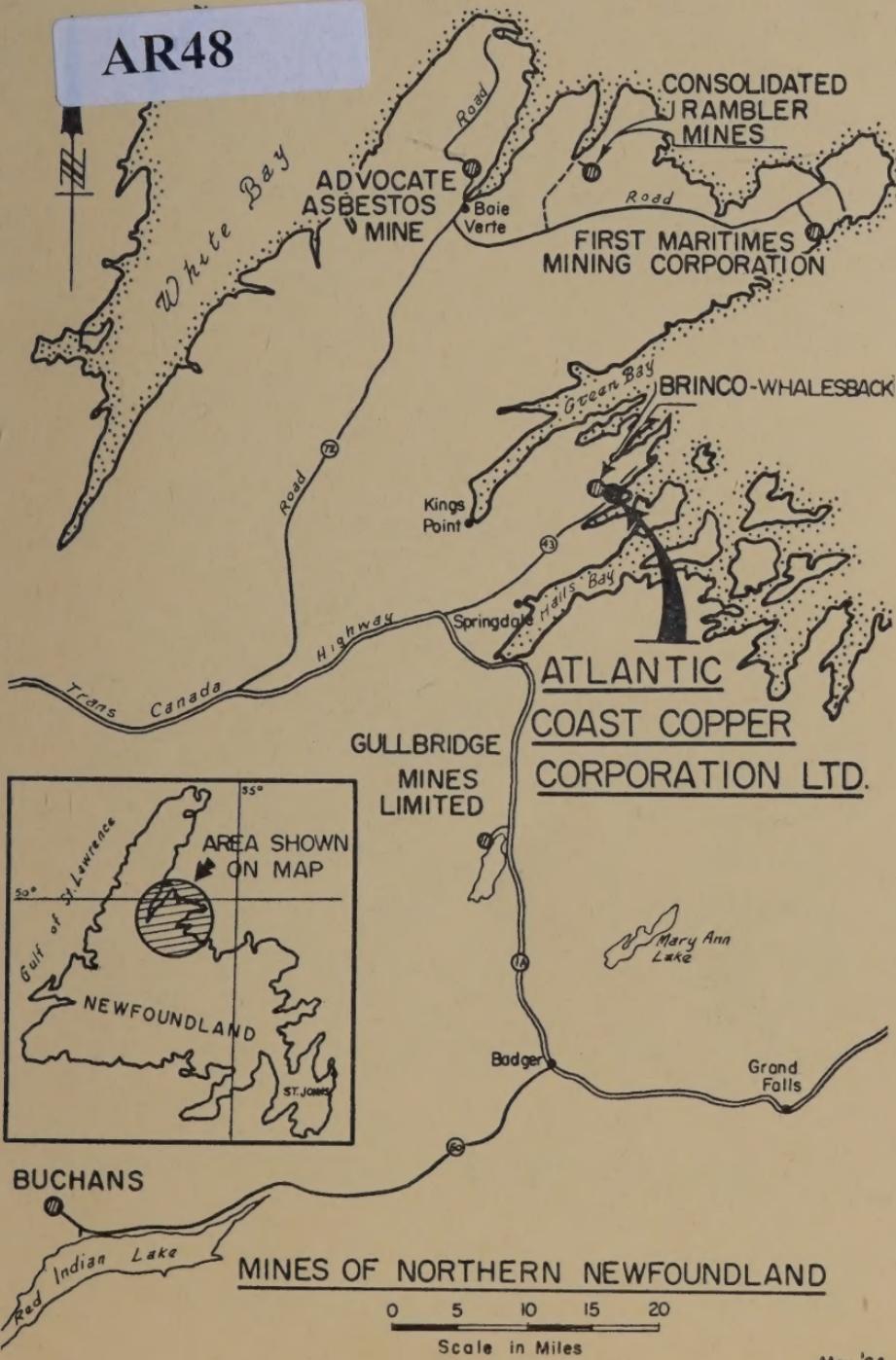


ATLANTIC COAST COPPER CORPORATION LIMITED

AR48



Seventh Annual Report - 1963

May '64

Annual Report

ATLANTIC COAST COPPER CORPORATION LIMITED

Head Office — OTTAWA, ONTARIO

MINE OFFICE LITTLE BAY, NEWFOUNDLAND

OFFICERS	J. BARRY O'BRIEN	President
	M. J. BOYLEN	Vice-President
	LESLIE G. HUDSON	General Manager
	BASIL L. JACKSON	Mine Manager
	R. FERRIER BURNS, C.A.	Secretary-Treasurer
	E. J. TURNBULL	Assistant Secretary-Treasurer

DIRECTORS	J. BARRY O'BRIEN	Ottawa, Ontario
	M. J. BOYLEN	Toronto, Ontario
	R. J. ISAACS	Toronto, Ontario
	B. A. O'BRIEN	Ottawa, Ontario
	GORDON F. PUSHIE	St. John's, Newfoundland

TRANSFER AGENT GUARANTY TRUST COMPANY OF CANADA
Toronto, Ontario

AUDITORS McDONALD, CURRIE & CO. Ottawa, Ontario

D I R E C T O R S ' R E P O R T

To the Shareholders of

ATLANTIC COAST COPPER CORPORATION LIMITED

Your Directors take pleasure in submitting the Seventh Annual Report of your Company for the year ended 31st December 1963, together with the Auditors' Report to the Shareholders, the Financial Statements and the Mine Manager's Report.

Your Company had another difficult year since mining was still confined to the stoping areas from which the higher grade sections of the ore body were mined out in the 1800's by the original owners and, as reported last year, the grade of ore from these areas has been very disappointing because of the waste dilution with which we have to contend. However, recent developments have been very encouraging as ore of good grade and widths in completely virgin ground has been encountered at the 1,300 foot depth.

The gross revenue for the year at \$2,029,419 practically all came from mine production as customs ores handled accounted for only \$112,815 of the total. After provision for direct operating expenses (including marketing expense), there was an operating profit of \$220,001. Interest charges on loans and debentures totalled \$170,262, and after provision for debenture discount, depreciation, preproduction and deferred development amortizations in the amount of \$638,153, there was a net loss for the year of \$588,414. A slightly higher average price of 30.844 cents per pound was received for copper as compared to the previous year when it was 30.498 cents per pound. Additional price increases for copper are imminent because of the unstable political conditions in some of the world's leading copper-producing countries and new labour contracts which must be negotiated in 1964 by many of the producers coupled with a high level of economic activity in the world.

It will be noted from the Balance Sheet that the Current Liabilities exceed the Current Assets by \$681,409, which is \$225,561 more than the previous year after taking into account the Sinking Fund instalment of \$200,000 due on 4th July 1964, as compared with \$150,000 which was included in last year's current liabilities. On the other hand the Deferred Liabilities were reduced by \$300,000 in the year, as a result of the deferred portion of the Sinking Fund Debentures having been reduced by \$200,000 and the exercising of a shareholder's option to convert a \$100,000 loan into Treasury Shares at a price of \$1 per share.

The total footage of mine development was less than for the previous year but the shaft sinking completed during the year placed a heavy burden on the main hoisting facilities as progress was slow because of the extra timbering and cement work required to take the shaft past the incompetent, or weak, pillow'd basalt formation encountered at the 1,260 foot depth.

Diamond drilling of the ore zone at the 1,150 foot level has shown it to have comparable widths and lengths to those on the upper levels and, in addition, the previous workings are not as extensive as they were on the levels above. Drilling to the 1,300 foot horizon from the 1,150 foot level indicates that the original workings are not found at this depth. Therefore, as mining progresses below this horizon the mining operations will be in virgin ground for the first time and it should be possible to keep the dilution within satisfactory limits.

The shaft deepening completed during the year will make available ore from the 1,150 and the 1,350 foot levels. It is anticipated that ore from the 1,150 foot level will provide mill feed by the middle of 1964. At the year end all mill feed was coming from the 1,000 foot level, which has provided the bulk of the ore handled since early June 1963. Concurrent with the development of the 1,150 and 1,350 foot levels for stoping, a heading will be driven north from the 1,350 foot main haulage level to provide drill stations for exploration of the ore body from the 1,350 foot level to the 2,000 foot depth. This deep drilling in the new mine area should be under way by July 1964, and your Directors are confident that the results will substantially enhance the ore reserve picture at the mine.

As further capital will be required in 1965 to open up five new levels to the 2,000 foot depth once the drilling confirms the grade and dimensions of the ore zones indicated to this depth by the information obtained to date, your Directors propose to increase the capitalization of your Company from 3,500,000 to 5,000,000 shares.

Referring to the Mine Manager's Report, you will note that mining, milling and total unit operating costs were lower than in previous years. In addition, the grade of concentrates produced and also the percentage of copper recovered was higher.

Further surface exploration of the parallel break about 1,200 feet north of the main shaft revealed interesting geophysical anomalies which will be tested in 1964 by diamond drilling. Additional drilling is also under consideration for the Lady Pond property as a result of an induced polarization survey conducted on it in 1963. This property is located about five miles distant from your property and is held under option.

It is with deep regret that we record the death last December of the Managing Director, Mr. Alan Scott, of Ottawa, Ontario. His untiring efforts and courage in helping to develop your Company were of an inestimable value.

Your Directors at this time wish to acknowledge the efficient and diligent efforts of the Mine Manager, Mr. Basil Jackson, his staff and all the employees in the conduct of the year's operations.

On behalf of the Board,

J. BARRY O'BRIEN,

Ottawa, Ontario,

President

27th May 1964.

MINE MANAGER'S REPORT

The President and Directors,
Atlantic Coast Copper Corporation Limited

Gentlemen,

Operating near capacity for 96.2% of possible running time, mill performance was as follows:

Ore treated	376,403 tons
Average daily milling rate	1,031.2 tons
Average mill heads	0.9113 % copper
Recovery	93.4 %
Concentrates produced	12,100 tons
Average grade of concentrate	26.53 % copper 0.0677 oz. gold
Copper contained in concentrate	6,419,878 pounds
Gold contained in concentrate	819 ounces

Surface dumps provided only 5.4% of the mill feed as they became depleted in mid-year.

Tonnage treated, recovery and grade of concentrate produced all showed improvement as compared with the previous year.

MINING

Policy throughout 1963 was to prolong ore production from above the 1,000 foot level, as long as grade would provide revenues with which to meet operating costs, and to take advantage of the time gained to deepen the main shaft.

Before sinking could get underway it was necessary to rehabilitate a caved section of the shaft which had forced suspension of previous work, and as this proved to be both time-consuming and expensive the overall programme was substantially reduced. One new level was established at 1,350 feet, an ore loading station was cut at 1,407 feet, and the shaft bottomed at 1,474 feet. Concurrent with the above work, 70% of the lateral development for the 1,150 foot level was completed.

The following is a summary of underground development work:

	1963	Cumulative to 31st December 1963
Drifting	1,659.0'	13,098.0'
Crosscutting	1,538.0'	7,741.0'
Miscellaneous excavations	19.0'	871.0'
Raising and boxholing	211.0'	6,084.2'
Shaft sinking	191.0'	1,474.0'
Station cutting	26.6'	328.3'
	<hr/> 3,644.6'	<hr/> 29,596.5'
Underground diamond drilling	<hr/> 7,544.0'	<hr/> 66,412.0'

Mine operating costs were as follows:

Development	.	.	.	.	.	.	\$ 0.200 per ton treated
Diamond drilling	.	.	.	.	.	.	0.044 " " "
Mining	.	.	.	.	.	.	1.580 " " "
Milling	.	.	.	.	.	.	1.242 " " "
Surface and general	.	.	.	.	.	.	0.431 " " "
General administration	.	.	.	.	.	.	0.078 " " "
Total	.	.	.	.	.	.	<u>\$ 3.575</u> " " "

EXPLORATION

Very little exploration was possible and it was confined to conducting induced polarization surveys on certain areas of the mine property and on the Lady Pond property held under option. Anomalies were indicated on the mine property and these appear to be on the eastern extension of the north structure which gave encouraging diamond drill results last year.

GENERAL

Diamond drilling below the 1,150 foot level has established that the previous mine workings bottom between this level and the 1,350 foot level. Therefore, below the 1,350 foot level we should be entirely free of these troublesome openings.

It is our intention to set up a diamond drilling station on the 1,350 foot level from which we will be able to drill the main ore zone down to the 2,000 foot level. Present indications are that this drilling should be underway in July 1964. If results of this work are as satisfactory as anticipated, consideration will have to be given immediately to providing a larger headframe and hoist for the main shaft.

A complete change in senior staff was experienced during the year and all replacements, with one exception, were promotions from within the organization.

An average of 154 persons was employed throughout the year, 72 underground, 31 in the mill, 19 in the shops, and 32, including staff, on surface.

It is again a pleasure to acknowledge the efficient work and loyal services of the staff and employees, as well as the co-operation and advice of the Officers and Directors of the Company.

Respectfully submitted,

B. L. JACKSON,

Manager.

Little Bay, Newfoundland,
25th April 1964.

MCDONALD, CURRIE & CO.
CHARTERED ACCOUNTANTS

INTERNATIONAL FIRM
COOPERS & LYBRAND

222 SOMERSET STREET WEST
OTTAWA 4, ONTARIO, CANADA

24th April 1964

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Atlantic Coast Copper Corporation Limited as at 31st December 1963 and the statements of earnings and deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings and deficit, when read in conjunction with the notes appended thereto, present fairly the financial position of the company as at 31st December 1963 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.

CHARTERED ACCOUNTANTS

ATLANTIC COAST COPPER CORPORATION LIMITED

(Incorporated under the laws of Ontario)

ASSETS

	1963	1962
Current Assets		
Cash	5,009	6,095
Smelter settlements — estimated	567,163	695,388
Accounts receivable	11,953	7,781
Mining tax recoverable	1,447	—
	585,572	709,264
	—	—
Sundry Assets		
Materials and supplies — at cost	192,693	243,148
Prepaid expenses	22,154	16,395
	214,847	259,543
	—	—
Fixed Assets		
Plant and equipment — at cost	2,116,520	2,112,173
Accumulated depreciation	567,989	356,894
	1,548,531	1,755,279
Mining property — at value ascribed to 1,000,000 shares issued as consideration for the property with subsequent additions at cost	615,510	613,417
	2,164,041	2,368,696
	—	—
Deferred Expenditure		
Preproduction expense, less amortization	1,182,678	1,538,552
Organization	3,170	3,170
Outside exploration	22,666	18,348
Debenture discount and expenses, less amortization	103,529	119,456
Deferred development, less amortization	116,467	64,292
	1,428,510	1,743,818
	\$4,392,970	\$5,081,321

Balance Sheet as at 31st December 1963

(With comparative figures as at 31st December 1962)

LIABILITIES

	1963	1962
Current Liabilities		
Bank advances	797,644	724,169
Accounts payable and accrued expenses	152,993	188,873
Demand loan from a shareholder — 5%	115,000	100,000
Sundry taxes	1,344	2,070
Sinking fund instalment due within one year	200,000	150,000
	1,266,981	1,165,112
	-----	-----
Deferred Liabilities		
Loan from a shareholder — 5% due 1st June 1968	237,498	337,498
Sinking fund debentures — 6½ % due 4th July 1970 (Note 1)	1,700,000	
Less: Sinking fund instalment included in current liabilities	200,000	1,500,000
	1,737,498	1,700,000
	-----	-----
Shareholders' Equity		
Capital stock —		
Authorized —		
3,500,000 shares without par value		
Issued and fully paid —		
3,262,502 shares (including 100,000 issued for \$1 each during the year in reduction of a loan from a shareholder)	2,202,502	2,102,502
Deficit	814,011	223,791
	1,388,491	1,878,711
	-----	-----
Signed on behalf of the Board		
J. BARRY O'BRIEN {	\$4,392,970	\$5,081,321
M. J. BOYLEN } Directors		

Statement of Deficit

For the Year Ended 31st December 1963

(With comparative figures for the year ended 31st December 1962)

	1963	1962
BALANCE — BEGINNING OF YEAR	223,791	88,496
Net loss for the year	588,414	135,295
Mining tax applicable to the prior year	1,806	—
 BALANCE — END OF YEAR	 \$814,011	 \$223,791

ATLANTIC COAST COPPER CORPORATION LIMITED

Statement of Earnings

For the Year Ended 31st December 1963

(With comparative figures for the year ended 31st December 1962)

Mine Operations

	1963	1962
Revenue —		
Copper concentrate production	1,916,604	2,392,502
Less: Marketing expenses	445,699	537,234
	<hr/>	<hr/>
	1,470,905	1,855,268
	<hr/>	<hr/>
Costs —		
Mining	649,018	735,517
Milling	442,060	414,613
Surface and general	153,535	144,056
Administration and general	27,696	34,765
Interest on debentures and loans	165,338	169,580
Amortization of debenture discount and expenses	15,467	14,745
Depreciation of fixed assets	202,099	194,770
Preproduction expense — portion written off	355,874	314,525
Deferred development — portion written off	58,233	—
	<hr/>	<hr/>
	2,069,320	2,022,571
	<hr/>	<hr/>
Net loss on mine operations	598,415	167,303
	<hr/>	<hr/>

Custom Milling Operations

Revenue —		
Copper concentrate production	112,815	249,716
Less: Marketing expenses	39,502	61,941
	<hr/>	<hr/>
	73,313	187,775
	<hr/>	<hr/>
Costs —		
Ore handling	22,071	53,831
Milling	25,580	64,882
Surface and general	3,607	8,892
Administration and general	650	2,047
Interest on debentures and loans	4,924	11,585
Amortization of debenture discount and expenses	461	1,182
Depreciation of fixed assets	6,019	13,348
	<hr/>	<hr/>
	63,312	155,767
	<hr/>	<hr/>
Net earnings from custom milling operations	10,001	32,008
	<hr/>	<hr/>
Net Loss for the Year	\$ 588,414	\$ 135,295

ATLANTIC COAST COPPER CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS

For the Year Ended 31st December 1963

1. Sinking fund debentures —
 - a. The principal, interest and sinking fund payments due under the debenture agreement are unconditionally guaranteed by the Province of Newfoundland.
 - b. The Province of Newfoundland holds a first mortgage on all real and immovable property, and in addition is permitted to hold a first floating charge on all other property and assets, during the period when any obligations under the debenture agreement are not satisfied.
 - c. Annual sinking fund requirements are as follows:

1964 to 1967	\$200,000
1968 and 1969	300,000
 - d. A distribution of assets or payment of dividends may not be made without the consent of the Province of Newfoundland while any of the debentures are outstanding.
2. The company has a contract to pay an annual minimum for electric power of \$268,750 for 1964 and of \$212,500 thereafter until the longer of 1967 or the life of the mine up to 1971.
3. In addition to the depreciation of fixed assets shown in the attached accounts, \$6,002 has been charged to operations during the year on automotive equipment.

